

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7084

BILL NUMBER: HB 1656

NOTE PREPARED: Feb 16, 2007

BILL AMENDED: Feb 15, 2007

SUBJECT: Personal property tax returns.

FIRST AUTHOR: Rep. Mays

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill allows certain taxpayers to file amended personal property tax returns for prior years.

Effective Date: January 1, 2007 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) Under current law, business taxpayers have until May 15th each year to file personal property tax returns. The township assessor may grant an extension of up to 30 days. Taxpayers may file amended returns until six months after the original or extended filing date.

Under this bill, amended returns that were submitted for filing from January 1, 2007 through January 31, 2007 for the March 1, 2002, 2003, and 2004, assessment dates would be allowed. Taxpayers would be entitled to exemptions claimed on the inventory schedule and on the 103-W (warehouse exemption return).

The bill would also nullify a notice of increased assessed value (AV) from the township assessor. Penalties and interest would not apply to the net increase in taxes resulting from the amended return.

There is at least one known taxpayer that would be affected by this bill. This taxpayer, in Marion County, received an increase in the assessment of inventory due to an audit. The increase in net taxes for all three years combined is about \$2.3 M. The taxpayer has claimed exemptions for part of the added inventory on the amended return.

Under current law, the taxpayer does not qualify for these exemptions since they were not claimed on a timely filed original or amended return. The taxpayer must pay the entire \$2.3 M additional tax bill, plus interest at 10% per year.

Under this bill, the taxpayer would only be required to pay the portion of the tax bill that applies to the non-exempt portion of the added AV. This payment would be without interest. The taxpayer's additional tax liability would be reduced from \$2.3 M to \$69,000 if the amended return is allowed by this bill.

Since the additional assessment was due to an audit completed after property tax rates were established for the years in question, the tax rates in those years were not based on this AV. The additional tax that results from the added assessment, therefore, was not a part of the original tax levy. While this bill would result in a reduction of revenues as compared to current law, these revenues are in addition to the tax levy.

It is possible that there are other, unknown, taxpayers in Marion and other counties that could be affected by this bill. If a taxpayer other than the one cited above submitted an amended return for filing and as a result an existing assessment and tax liability are reduced, then the taxpayer would be due a refund of taxes. Property tax refunds reduce current year property tax revenue for local taxing units and school corporations. Refunds may also be paid from a balance in the taxing unit's levy excess fund, if any.

State Agencies Affected:

Local Agencies Affected: County and township assessors; County auditors.

Information Sources: Joe Smith, Baker & Daniels.

Fiscal Analyst: Bob Sigalow, 317-232-9859.